



Shut up and Go away

By Richard W. Rahn

QUESTIONING CONVENTIONAL WISDOM IS GREETED WITH A REPELLENT RESPONSE

Columbia University, from which I have a degree, has set aside rooms where straight white males — like me — are told they are unwelcome. How should I respond to their annual fund drives?

When I was at Columbia, the students were protesting in favor of free speech, not against it. Today, a well-known socialist or communist would probably be welcome as a speaker at Columbia, even though their ideology has mired billions in poverty and resulted in the early deaths of hundreds of millions. Yet real scholars, like Charles Murray and Heather MacDonal, presenting their findings based upon serious empirical research, are hooted down or driven away from Columbia, the University of California, Berkeley and other universities because their conclusions are not politically correct.

Various forms of censorship have existed from the time that civilization began. Some is directed at those who dispute the conventional wisdom. Everyone knows by looking at the sky that the sun circles the Earth, so who were Copernicus and Galileo to say otherwise? Everyone knows that higher tax rates result in

more revenue for government. Who is this fellow Arthur Laffer (and many others) to say otherwise?

Good economists know that every tax has both a revenue- and a welfare-maximizing rate — which is obviously well under 100 percent. (People do not work, save and invest to pay taxes, and will go to great lengths — both legal and illegal — not to pay a tax.)

The capital gains tax is a prime example of the difference between the tax rate and tax revenue, because it is a largely voluntary tax. If you do not sell something you own for a price higher than you bought it — there is no capital gain and hence no tax revenue. There is a great amount of both theoretical and empirical evidence concerning the revenue-maximizing rate for capital gains, because the rate has been raised and lowered many times over the last half-century.

In the 1980s, the U.S. Treasury concluded that the maximum revenue-raising rate was no higher than 15 percent. Other studies have shown similar results. This past Friday, Mark Bloomfield and Oscar S. Pollock reported in *The Wall Street Journal* on their latest study, which again concluded that the revenue-maximizing rate was probably no higher than 15 percent.

Despite the overwhelming evidence that a rate higher than 15 percent is a long-run revenue loser, many in Congress and the media will advocate a higher rate — evidence means nothing to them. Worse yet, the Congressional Budget Office (CBO) is likely once again to get it wrong, as it always has. The CBO tax models do not fully measure behavioral changes resulting from tax rate changes; hence, they invariably overestimate the revenue from tax-rate increases, and vice versa.

Phil Gramm, the former chairman of the Senate Budget Committee, also wrote in *The Wall Street Journal* last week: “No single part of the Obama program was ever scored in advance by the CBO as losing \$4.2 trillion in federal revenues, but those losses reflect the totality of the impact of his policies. No single Reagan action was ever scored by the CBO as producing the equivalent of \$2.9 trillion in new revenues (relative to the current GDP), but

that was the overall result of his program.” The mainstream media, of course, will treat any disagreement with the CBO numbers as heresy. Those of us who have the audacity to point out the CBO errors will, like Galileo followers, be treated as partisans and told to shut up and go away.

The global warming establishment also treats anyone as a heretic who asks basic questions like: Why has the rise in sea levels slowed down in recent decades, rather than accelerated as predicted? What accounts for a decade-long pause in the increase in Earth temperatures? Why is sea ice much greater than predicted? And why are there many more polar bears rather than fewer? Merely to ask these very legitimate questions is enough to be labeled as a “climate change denier,” even though the climate scientists debate these questions among themselves. Outsiders, shut up and go away.

In recent years, both federal and state government agencies have obtained large “monetary settlements” from businesses that were alleged to have done wrong. At times, these settlement demands, as in the case of former AIG chairman Hank Greenberg, appear to be nothing more than extortion by government prosecutors with a political agenda who will agree to shut up and go away, in exchange for a fine.

In the famous global Libor (London Interbank Offered Rate) interest rate fixing scandal, Barclays paid settlements to a number of U.S. states and the federal government, as well as to the British government — which in part contained a clause to keep secret the names of some of the bank executives allegedly involved, which seems inappropriate. Did the bankers do something illegal or did Barclays pay a fine to the British government so that they would merely shut up and go away?

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